



UNITED STATES SENATE
**REPUBLICAN
POLICY COMMITTEE**

Larry E. Craig, Chairman
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Don't Kick an Economy When It's Down

Raising the Minimum Wage Is *Not* An Economic Stimulus

This September 10, the U.S. economy was struggling. On September 11, it was dealt a serious blow. Numerous industries are reporting layoffs. The nation's leaders are considering legislation that would unleash the forces of free enterprise and would help families regain their footing. Such measures include cutting taxes on investment (*i.e.* capital gains) and businesses, as well as providing additional tax rebates for individuals.

Some are trying to include a minimum wage increase in an economic recovery package. Yet an increase in the minimum wage would act as a drag on the economy, not a stimulus. Raising the minimum wage would eliminate job opportunities for America's most vulnerable workers.

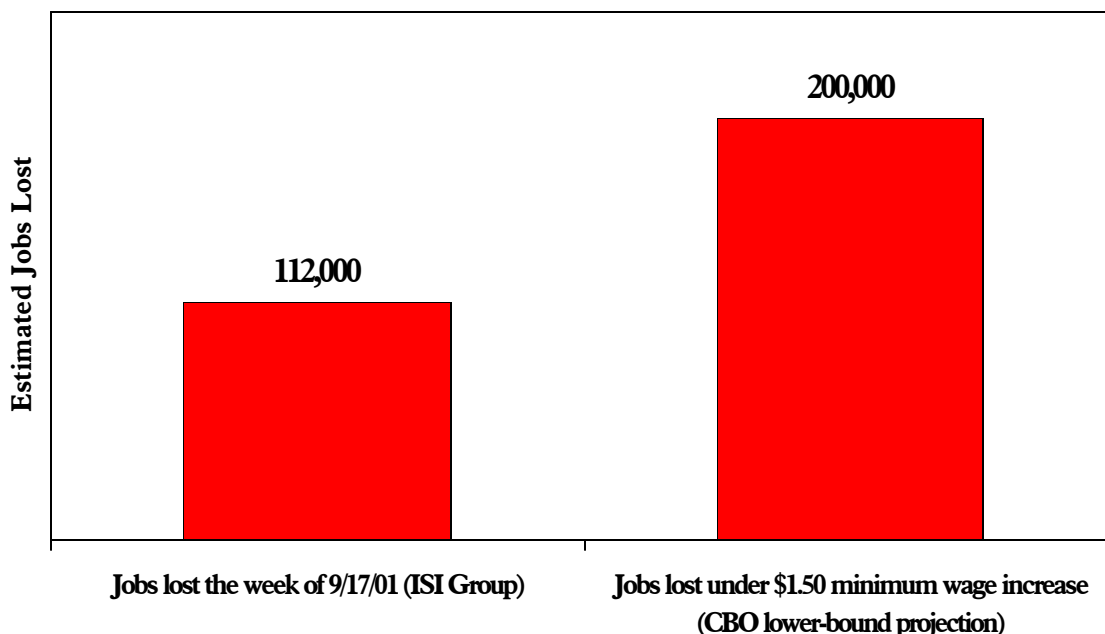
**Job Losses: Results of Terrorist Attacks,
\$1.50 Minimum Wage Increase**

An economic recovery package should *create* jobs.

By freeing up investment capital and by lowering the cost of doing business, tax cuts help direct resources to needed areas and help struggling businesses retain workers. Mandates – such as a higher minimum wage – *increase* the cost of doing business. A minimum wage increase would make it harder for employers to hire society's most vulnerable workers just when the economy is at its most fragile point in a decade.

- According to the International Strategy & Investment (ISI) Group, **the week of September 17 saw 112,000 layoffs**, compared to an average of 35,000 per week for the preceding 13 weeks and 10,000 layoffs per week one year ago.
- The Hotel Association of Washington, D.C., estimates **half of the area's 25,000 hotel employees will lose their jobs by this week.**
- The National Restaurant Association predicts **job losses in the restaurant industry will hit 60,000 in September alone** from decreased sales and worsened economic conditions in the wake of the terrorist attacks on September 11th. The group further predicts **an additional 150,000 jobs would be lost in the last quarter of this year if Congress increases the minimum wage by \$1.00/hour.**
- The Congressional Budget Office (CBO) estimates a leading Democrat proposal to increase the minimum wage by \$1.50/hour would cost the private sector \$30 billion over five years – that's twice what Congress recently appropriated to bail out the airline industry. **The CBO projects that a \$1.50/hour increase would eliminate 200,000 to 600,000 jobs.**

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Alan Greenspan told a congressional committee this year, “I’m not in favor of cutting anybody’s earnings or preventing them from rising, but I am against them losing their jobs because of artificial government intervention, which is essentially what the minimum wage is.” [*Wall Street Journal*, July 19, 2001]

- Even workers who keep their jobs would be hurt. Studies have shown **increasing the minimum wage reduces other compensation such as training, which can lower minimum wage workers’ long-term earnings.**

With the economic picture already imperiling the jobs of thousands of low-wage workers, Congress and the President should give investors and employers the tools they need to retain the workers they have and hire more – and should not inflict greater damage on workers and the economy by increasing the minimum wage rate.

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